

## Investigating the effects of oil, gold and currency prices on the country's trade periods in recession and boom regimes by using a rotational model and Markov switching regime change

*Mehrdad Rahmanifar\**

*Marjan Damankeshideh\*\**

*Manijeh Hadinejad Darsara\*\*\**

*Ebrahim Abbasi\*\*\*\**

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### Abstract

In this study, we seek to investigate the effects of oil, gold and currency prices on the country's trade periods. For this, using the rotational model and Markov switching regime change, we study the effects of oil and monetary shocks, currency fluctuations, financial crises and the gold market on the country's trade periods. The research period is from 1985 to 2018. The results of the Markov model for the recession and boom periods show that, in the second regime, i.e. the boom period, with the increase in positive oil shock, the production gap decreases; on the other hand, with the increase in monetary shock, financial crises, inflation and gold price in the recession and boom regime, the production gap increases. Currently, there are 17 periods of recession versus 16 periods of the boom in the first model, 15 periods of recession versus 18 periods of the boom in the second model, and 17 periods of recession versus 16 periods of the boom in the third model. Also, based on the results of transfer probability functions, it is observed that the survival rate during the recession in Iran has a high probability and all these factors increase the risk of investing in industrial projects and lead to an increase in the production gap.

**Keywords:** oil prices; gold; currency; trade periods; Markov switching regime change model.

**JEL Classification:** C24 ,E52 ,G12 ,G32 ,G19.

\* PhD student in Economics of Oil & Gas/ Department of Economics, Islamic Azad University Central Tehran Branch, Tehran, Iran. Email: mrahmanifar@yahoo.com

\*\* Assistant Professor, Department of Economics, Islamic Azad University Central Tehran Branch, Tehran, Iran. Email: m.damankeshideh@yahoo.com

\*\*\* Assistant Professor, Department of Economics, Islamic Azad University Central Tehran Branch, Tehran, Iran. Email: manijeh\_hadinejad@yahoo.com

\*\*\*\* Assistant Professor, Department of Economics, Islamic Azad University Central Tehran Branch, Tehran, Iran. Email: abbassiebrahim@yahoo.com



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